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BEFORE THE ARIZONA CORPORATION COMMISSION

TOM FORESE, Chairman
BOB BURNS, Commissioner
DOUG LITTLE, Commissioner
ANDY TOBIN, Commissioner
BOYD DUNN, Commissioner

IN THE MATTER OF THE APPLICATION OF ARIZONA PUBLIC SERVICE COMPANY FOR A HEARING TO DETERMINE THE FAIR VALUE OF THE UTILITY PROPERTY OF THE COMPANY FOR RATEMAKING PURPOSES, TO FIX A JUST AND REASONABLE RATE OF RETURN THEREON, TO APPROVE RATE SCHEDULES DESIGNED TO DEVELOP SUCH RETURN.	**DOCKET NO. E-01345A-16-0036**
IN THE MATTER OF FUEL AND PURCHASED POWER PROCUREMENT AUDITS FOR ARIZONA PUBLIC SERVICE COMPANY.	**DOCKET NO. E-01345A-16-0123** **SOLAR ENERGY INDUSTRIES ASSOCIATION POST-HEARING BRIEF**

SOLAR ENERGY INDUSTRIES ASSOCIATION POST-HEARING BRIEF

The Solar Energy Industries Association ("SEIA") respectfully submits its post-hearing brief regarding Arizona Public Service Company's ("APS" or "the Company") Application requesting the Arizona Corporation Commission's ("Commission") approval of revised rates in the above referenced dockets. SEIA supports the proposed Settlement Agreement ("Settlement Agreement") between APS, the Commission's Utilities Division

("Staff"), the Residential Utility Consumer Office ("RUCO"), the Solar Energy Industries Association ("SEIA"), and numerous other solar and non-solar parties.

Of particular interest to SEIA, the Settlement Agreement resolves important issues raised in this proceeding related to solar DG for the term of the Settlement Agreement, that include:

- Providing a range of rate options for residential DG customers, including provisions to allow DG customers to take service under the same Time of Use ("TOU") tariff that is available to non-DG customers;
- Setting a reasonable Resource Comparison Proxy ("RCP") initial payment level to DG customers for energy exported to the APS system;
- Establishing fair grandfathering provisions for DG customers who timely submit completed net metering applications prior to the rate effective date established in this proceeding; and
- Resolving policy disputes between APS, Staff, RUCO and the solar industry in favor of stable solar policies and rates up through APS's next rate case so long as the Settlement Agreement is approved without material modification.[1]

For the reasons stated herein, the Settlement Agreement results in a just and reasonable resolution of these issues consistent with Arizona law and Commission precedent, and promotes the public interest. SEIA recommends that the Commission approve the Settlement Agreement.

I. ARGUMENT

A. The Rate Options Provided to Solar Customers Under the Settlement Agreement Provide Non-Discriminatory Access to TOU and Demand Based Rate Schedules to DG and Non-DG Customers.

Section 18.1 of Settlement Agreement provides that residential DG customers will be eligible for four different rate schedules: TOU-E, R-2, R-3, and R-Tech.[2] The

[1] Staff's Notice of Filing Dir. Test. in Support of Settlement Agreement (Apr. 3, 2017) at 20 ("a major and important part of the Settlement Agreement is the resolution of many of contentious issues related to DG solar.")

[2] Arizona Public Service Company, Docket Nos. E-01345A-16-0036 and E-01345-16-0123, Settlement Agreement, Section 18.1 (March 27, 2017) ("DG customers are

provision of comparable rate treatment is a fair and reasonable outcome that treats DG and non-DG customers of APS in a non-discriminatory manner. In particular, SEIA strongly supports the continued availability of TOU rate options for both DG and non-DG customers. TOU rates are a more accurate reflection of cost-of-service than demand-based rates, such as the R-3 rate.[3] Moreover, SEIA believes the proposed TOU-E rate contained in Appendix F of the Settlement Agreement is a just and reasonable TOU rate.

With respect to the on-peak period for the TOU-E rate and the R-2, R-3, and R-Tech demand rates available to DG customers, Section 17.8 of the Settlement Agreement provides for an on-peak period from 3:00 pm to 8:00 pm. With respect to the TOU-E rate's "Grid Access Charge" of $0.93/kW-DC of installed generating capacity for DG customers, Sections 17.4, 18.1 and 18.2 of the Settlement Agreement explain that this charge achieves a "self-consumption offset rate" of $0.105/kWh, inclusive of the Grid Access Charge and exclusive of rate riders and taxes. The Grid Access Charge allows DG customers to take service under the same tariff that is available to non-DG customers by applying an additional fee that results in a total "offset value" to DG customers of $0.105/kWh for electricity that is generated and immediately consumed onsite by solar customers without export to the APS system.

It is also important to note that the $0.105/kWh offset value is an average value. Section 18.2 of the Settlement Agreement explains: "The offset rate is based on the load profile and production profile of APS customers with DG during the test year."

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eligible for four different rate schedules, including all proposed TOU and Demand rates.")

[3] SEIA-1, Dir. Test. of Thomas R. Beach on behalf of the Solar Energy Industries Association, (Feb. 3, 2017) at 19-20 [hereinafter "*SEIA-1*") (showing that the R3 rate fails to match how costs are incurred with how they are recovered in rates and that TOU rates more accurately reflect solar customers' impact in reduced utility costs of service).

However, "[i]ndividual customer offset will vary based on individual usage patterns and DG system size, orientation, and production." As such, solar DG customers that take service under the TOU-E rate and pay the $0.93/kW-DC Grid Access Charge may achieve an offset value that is lower or higher than the $0.105/kWh average value.

Although SEIA's direct testimony supported a higher offset value of $0.136/kWh with no Grid Access Charge[4] and an on-peak period from 2:00 pm to 7:00 pm,[5] SEIA supports the $0.105/kWh average offset value and 3:00 pm to 8:00 pm on-peak period established in the Settlement Agreement for the proposed TOU and demand rates as these are within the range of possible outcomes presented for litigation.[6] SEIA emphasizes that the Settlement Agreement's provision that DG customers are eligible for four different rate options is a fair and reasonable outcome that preserves customer choice and provides APS a reasonable opportunity to recover its costs of service.[7]

B. The Resource Comparison Proxy Rate for Exported Energy Provided in the Settlement Agreement is Reasonable and Supported by Commission Precedent.

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4 *SEIA-1* at 43, Table 8.

5 *SEIA-1* at 38-41.

6 *SEIA-2*, Dir. Test. of Sara Birmingham in Support of the Settlement Agreement on behalf of the Solar Energy Industries Association (Apr. 3, 2017) at 5 ["*SEIA-2*"]; *see also Vote Solar-2*, Dir. Test. of Briana Kobor in Support of the Proposed Settlement Agreement on Behalf of Vote Solar at (Apr. 3, 2017) [hereinafter "*Vote Solar-2*"] (finding a monthly $0.93/kW-dc charge that results in a self-consumption offset rate of $0.105/kWh a reasonable compromise); *EFCA-7*, Prefiled Testimony of James A. Heidell in Support of Settlement Agreement on Behalf of the Energy Freedom Coalition of America (Apr. 3, 2017) at 2 [hereinafter "*EFCA-7*"] (supporting the Settlement Agreement's elimination of the requirement for new solar customers to be on demand rates and provisions to allow new solar customers to choose between a TOU or a demand rate).

7 *See also Vote Solar-2.* at 5 (finding the residential rate options provided in Settlement Agreement reasonable as a whole when considered with the balance of the issues.).

Section 18.3 of the Settlement Agreement establishes an initial RCP of $0.129/kWh available for the first year following the rate effective date of the Commission's final decision in this proceeding. Consistent with Commission Decision Nos. 75859 and 75932, the RCP Rate Rider provides that eligible customers will receive the RCP rate in effect at the time they submit a completed interconnection application for a period of 10 years from the time of their interconnection.[8]

The methodology and broad policies for the RCP were established in the Commission's "Value of Solar" Decision No. 75859, as amended by Decision No. 75932. These orders establish an RCP price (in $ per kWh) based on, as a proxy, the levelized cost of all grid-scale solar photovoltaic facilities that have gone into service on the APS system in the last five years. In Decision No. 75859, the Commission determined that the RCP price also should include "avoided transmission, distribution capacity and line losses."[9] In requiring consideration of these avoided delivery costs that result from the addition of solar DG, the Commission stated that "[in] order for the comparison between central station solar and DG to be meaningful and accurate, these key differences must be

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[8] *SEIA-2* at 7 (this provision is also subject to the interconnecting customer subsequently completing their system interconnection and obtaining approval from authorities having jurisdiction within 180 days. The RCP Rate Rider also provides an extension of up to 270 days if a delay in completing the interconnection and receiving approval is through no fault of the customer or the customer's installer); *see also APS-2,* Direct Settlement Testimony of Barbara D. Lockwood on Behalf of Arizona Pub. Serv. Co. at 10 ("While existing DG customers are grandfathered, new residential DG customers will move away from net metering and begin to receive compensation for their exported energy at the negotiated first year Resource Comparison Proxy (RCP) rate of $0.129/kWh. The RCP rate will adjust annually (for each successive tranche of new DG customers) in accordance with the RCP plan of administration as described by Charles Miessner. Although this first year RCP rate is negotiated, it fits within the structure established in Decision Nos. 75859 and 75932, and the Agreement fully and faithfully implements those decisions without modification.").

[9] Decision No. 75859 at 152, lines 13-14.

addressed and included in the Resource Comparison Proxy analysis that will occur in the rate cases."[10]

In direct testimony, APS proposed an RCP price of $0.11524/kWh while SEIA's analysis supported a price of up to $0.16/kWh.[11] Although SEIA and APS disagree with respect to avoided line loss and avoided T&D capacity costs calculations, the Settlement Agreement establishes a reasonable RCP value of $0.129/kWh, which is within the range of possible outcomes presented for litigation.[12] Consistent with Commission Decision Nos. 75859 and 75932, this price is inclusive of undifferentiated transmission, distribution, and loss components and will be updated annually (but not reduced from one year to the next by more than 10%).[13]

Moreover, the settled RCP price of $0.129/kWh is close to the price that would result from a transmission and distribution ("T&D") adder based on system line losses (6.2%) and a reasonable assessment of the change in APS's T&D cost of service that results from the addition of behind-the-meter solar DG instead of utility-scale solar.[14] While the $0.129/kWh export rate is below what SEIA would have recommended based on APS's marginal or avoided T&D costs, SEIA supports the Settlement Agreement outcome.[15]

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[10] Decision No. 75859 at 152, lines 14-17.

[11] *See e.g. SEIA-3,* Dir. Test. of Thomas Beach in Support of the Settlement Agreement on Behalf of the Solar Energy Industries Association, Docket Nos. E-01345A-16-0036 and E-01345-16-0123 (Apr. 3, 2017) at 7 [hereinafter "*SEIA-3*").

[12] *See SEIA-3.* at 4-7.

[13] *SEIA-2* at 7.

[14] *SEIA-2* at 7.

[15] *SEIA-2* at 8; *SEIA-3* at 8; *see also EFCA-7* at 6 (stating "[w]hile it is my opinion that the value of the electricity exported is potentially higher than the export rate and that customers should have more certainty regarding the compensation for exported

C. The Grandfathering Provisions of the Settlement Agreement are Fair and Consistent with Commission Precedent.

Sections 18.5 and 18.6 of the Settlement Agreement allow customers that submit completed interconnection applications before the rate effective date adopted in the final decision in this proceeding to take service under full retail net metering and to continue to take service on their current tariff schedules for a period of 20 years from the date a system is interconnected with APS. This outcome preserves solar DG customer's expectations at the time they invested in solar DG and provides a reasonable window for customers currently pursuing solar DG to complete their installations. SEIA supports this outcome and believes it is consistent with Commission Decision No. 75859.[16]

II. CONCLUSION

For the foregoing reasons, SEIA believes that the Settlement Agreement is a just and reasonable resolution of the issues described therein. SEIA supports and recommends Commission approval of the Settlement Agreement.

Respectfully submitted this 17th day of May 2017.

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electricity, the rate is a reasonable compromise, does not over-compensate rooftop solar customers, and hence does not harm non-participants").

[16] *SEIA-2* at 8; *see also Vote Solar-2* at 3-4 (noting the Settlement Agreement's provision that grandfathered DG customers will continue to take service full retail net metering and have access to legacy rates that maintain their current tariff structure as consistent with the stated policy of the Commission in other recent cases); *EFCA-7* at 2 (stating that the grandfathering provisions contained in the Settlement Agreement result in fair treatment of existing rooftop solar customers and that the cut-off date for grandfathered installations provides a reasonable window for those customers actively pursuing solar to finish the process).

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Electronically mailed this
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All Parties of Record